

LOUISIANA RURAL WATER ASSOCIATION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

Year Ended June 30, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 26 2014**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

December 04, 2013

Report on the Financial Statements

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 04, 2013
Page Two

The prior year summarized comparative information has been derived from Louisiana Rural Water Association, Inc.'s 2012 financial statements and, in our report dated December 7, 2012; we expressed an unqualified opinion on those financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 04, 2013 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Louisiana Rural Water Association, Inc.'s internal control over financial reporting and compliance.

Gragson, Casiday & Guillory

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash	\$ 315,279	\$ 464,457
Investments	130,958	206,180
Accounts receivable	223,212	135,063
Prepaid expenses	<u>38,850</u>	<u>30,122</u>
Total Current Assets	<u>708,299</u>	<u>835,822</u>
Fixed assets, at cost (net of accumulated depreciation of \$766,265 for 2013)	<u>591,519</u>	<u>622,725</u>
TOTAL ASSETS	<u><u>\$ 1,299,818</u></u>	<u><u>\$ 1,458,547</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 98,690	\$ 99,325
Deferred income	188,964	159,231
Vacation and sick leave payable	310,448	282,461
Note payable	<u>-</u>	<u>70,575</u>
Total Current Liabilities	<u>598,102</u>	<u>611,592</u>
Net Assets		
Unrestricted	<u>701,716</u>	<u>846,955</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,299,818</u></u>	<u><u>\$ 1,458,547</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2013

	Unrestricted	Temporarily restricted	Totals	
			2013	2012
REVENUES AND RECLASSIFICATIONS				
Grants	\$ 1,335,040	\$ -	\$ 1,335,040	\$ 1,286,497
Membership fees	272,527	-	272,527	250,965
Conference	189,239	-	189,239	212,705
Training	81,293	-	81,293	65,421
Advertising	36,199	-	36,199	40,111
Interest	2,368	-	2,368	8,923
Other - federal programs	81,670	-	81,670	32,817
Miscellaneous	9,226	-	9,226	17,816
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>2,007,562</u>	<u>-</u>	<u>2,007,562</u>	<u>1,915,255</u>
EXPENSES				
General and administrative	632,911	-	632,911	536,967
Federal program subsidies	81,670	-	81,670	32,817
Program services:				
LA - WARN	552	-	552	2,084
E.P.A.	145,609	-	145,609	48,163
Circuit rider - National Rural Water	378,978	-	378,978	371,433
Wastewater - National Rural Water	228,056	-	228,056	227,316
Energy	498,749	-	498,749	506,870
Compliance initiative	25,161	-	25,161	40,658
Drinking water - USDA	120,720	-	120,720	105,625
Capacity Development training	40,395	-	40,395	40,000
Total Expenses	<u>2,152,801</u>	<u>-</u>	<u>2,152,801</u>	<u>1,911,933</u>
INCREASE (DECREASE) IN NET ASSETS	(145,239)	-	(145,239)	3,322
NET ASSETS - BEGINNING OF YEAR	<u>846,955</u>	<u>-</u>	<u>846,955</u>	<u>843,633</u>
NET ASSETS - END OF YEAR	<u>\$ 701,716</u>	<u>\$ -</u>	<u>\$ 701,716</u>	<u>\$ 846,955</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (145,239)	\$ 3,322
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	45,834	44,735
Unrealized (gain) loss on investments	4,755	1,028
(Increase) decrease in assets		
Accounts receivable	(88,149)	20,293
Prepaid expenses	(8,728)	8,192
Increase (decrease) in liabilities		
Accounts payable	(635)	32,551
Deferred income	29,733	(3,605)
Vacation and sick leave payable	27,987	(41,135)
Net cash from operating activities	<u>(134,442)</u>	<u>65,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments and noncash equivalents	72,790	(64,741)
Purchase of fixed assets	(14,628)	(23,940)
Payments on debt borrowings	<u>(70,575)</u>	<u>(79,328)</u>
Net cash used by investing activities	<u>(12,413)</u>	<u>(168,009)</u>
Net increase (decrease) in cash equivalents	(146,855)	(102,628)
Cash equivalents - beginning of year	<u>247,821</u>	<u>350,450</u>
Cash equivalents - end of year	<u>\$ 100,966</u>	<u>\$ 247,821</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 2,250</u>	<u>\$ 6,415</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$144,724 was recognized in the current year. Current grant agreement runs through August 31, 2013.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$381,086 was recognized in the current year. Current grant agreement runs through September 30, 2013.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$225,393 was recognized in the current year. Current grant agreement runs through July 31, 2013.

Energy - "Rural Water Energy Conservation Program". Revenue of \$484,653 was recognized in the current year. Current grant agreement ran through June 30, 2013.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$100,186 was recognized in the current year. Current grant agreement runs through March 31, 2018.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Very small water system - To provide training for very small water system's operators. Revenue of \$10,000 was recognized in the current year. Current grant agreement runs through June 30, 2014.

Louisiana Compliance Initiative - To provide training and technical assistance in compliance with drinking water regulations. Revenue of \$25,161 was recognized in the current year. Current grant agreement ended September 30, 2012.

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of 39,975 was recognized in the current year. current grant agreement runs through June 30, 2013.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2013 of \$223,212 represents receivables from the federal and state grants.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$4,035 for 2013.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2013, the carrying amount was \$315,279 and the bank balance was \$326,471. Of the bank balance, \$326,471 was covered by federal depository insurance and government securities.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. The fair value is obtained from monthly investment statements. Investments as of June 30, 2013 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Liberty Mutual Fund for U.S. Government Securities	<u>\$ 145,436</u>	<u>\$ 130,958</u>	<u>\$ 130,958</u>

The following summarizes the investment return:

Interest earned	<u>\$ 4,532</u>
Unrealized loss	<u>(4,755)</u>
Net investment return	<u>\$ (223)</u>

Prepaid Expenses

Prepaid expenses of \$38,850 at June 30, 2013 represent mostly conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$53,017 at June 30, 2013.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$257,431 at June 30, 2013.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of cash and cash equivalents at June 30, 2013 is as follows:

Cash Equivalents	\$ 100,966
Noncash Equivalents	<u>214,313</u>
Total Cash	<u>\$ 315,279</u>

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through December 04, 2013, the date the financial statements were available to be issued.

NOTE B - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 698,891
Equipment	<u>658,893</u>
	1,357,784
Less accumulated depreciation	<u>766,265</u>
	<u>\$ 591,519</u>

Fixed Assets are stated at cost. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2013 was \$45,834

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE E - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

Tax years 2010 through 2012 remain subject to examination by the IRS.

NOTE F - RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2013 was \$52,371.

NOTE G - COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2013

NOTE H – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in Active markets Identical assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Short-term investments:				
U.S. Government Securities	<u>\$ 130,958</u>	<u>\$ -</u>	<u>\$ 130,958</u>	<u>\$ -</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Disburse- ments/ Expenses</u>
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Circuit Rider	10.761	-	\$ 327,400
<u>Other Federal Awards:</u>			
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Wastewater technical assistance	10.761	-	225,393
U.S. Department of Environmental Protection Agency Passed through National Rural Water Association, Inc. Source water	66.202	-	100,186
Ground water/wellhead protection	66.202	-	117,272
Passed through State of Louisiana Department of Health and Hospitals Capacity Development Training	66.468	-	<u>39,975</u>
TOTAL FEDERAL AWARDS			<u>\$ 810,226</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Rural Water Association, Inc and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Louisiana Rural Water Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Louisiana Rural Water Association, Inc.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2013

	2013	2012
Advertising	\$ 4,035	\$ 3,986
Conference - other	6,356	12,919
Conference - LRWA	124,246	136,145
Contract labor	1,090	-
Depreciation	-	-
Dues	12,950	11,745
Employee benefits	2,845	21,340
Indirect expenses - Internal	117,478	129,195
Indirect expenses - unallocated excess	212,797	72,498
Miscellaneous	12,083	15,307
Newsletter	37,635	39,643
Office expense	10	2,510
Public relations	16,378	17,377
Research fund contribution	3,500	3,500
Retirement	653	1,313
Rural water rally	16,526	13,001
Salaries	9,328	5,299
Scholarship	3,000	4,000
Service charges	2,040	2,346
Taxes - payroll	699	1,538
Training	41,360	38,617
Travel	7,902	4,688
	<u>\$ 632,911</u>	<u>\$ 536,967</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
Board members expenses	\$ 3,240	\$ 351
Depreciation	20,369	18,041
Dues	-	-
Employee benefits	57,468	51,606
Equipment lease	14,077	14,015
Insurance	7,342	10,482
Interest	2,250	6,415
Office supplies	18,533	16,305
Miscellaneous	703	728
Postage	5,585	5,401
Professional fees	12,515	12,439
Repairs and maintenance	5,827	3,200
Retirement	20,497	19,987
Salaries	292,820	285,531
Taxes - payroll	22,900	22,574
Telephone	23,914	24,792
Training	-	12
Travel - Administrative	38,265	44,477
Travel - Board	45,821	26,435
Utilities	8,369	8,760
	<u>\$ 600,495</u>	<u>\$ 571,551</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

December 04, 2013

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 04, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 04, 2013
Page Two

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gragson, Casiday & Guillory



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

December 04, 2013

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Louisiana Rural Water Association, Inc.'s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Louisiana Rural Water Association, Inc.'s major federal programs for the year ended June 30, 2013. Louisiana Rural Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Louisiana Rural Water Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Rural Water Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louisiana Rural Water Association, Inc.'s compliance.

To the Board of Directors
Louisiana Rural Water Association, Inc.
December 04, 2013
Page Two

Opinion on Each Major Federal Program

In our opinion, Louisiana Rural Water Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Louisiana Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Louisiana Rural Water Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Rural Water Association, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gragson, Casiday & Guillory

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? ☐ yes ☒ no
- Control deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number
10.761

Name of Federal Program
Circuit Rider

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- None

IV - Prior Year Findings

- None